

IPA National Programme 2010 part II – Bosnia and Herzegovina
Fiche 1 “Environment”

1. Basic information

1.1 CRIS Number: 2010/ 022-674

1.2 Title: Rehabilitation and construction of water and waste water infrastructure

1.3 ELARG Statistical code: 02.27 Economic criteria / Environment

1.4 Location: Bosnia and Herzegovina

Implementing arrangements:

1.5 Contracting Authority:

The European Union represented by the European Commission for and on behalf of the beneficiary country in joint management with the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the World Bank (WB).

1.6 Implementing Agency:

Component I: EIB through joint management with the European Commission
Component II: EBRD through joint management with the European Commission
Component III: WB through joint management with the European Commission

1.7 Beneficiary:

Primary Beneficiary:

Ministry of Foreign Trade and Economic Relations (MOFTER)
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Secondary Beneficiaries:

Ministry of Agriculture, Forestry, Water Management Republika Srpska (RS)
Ministry of Agriculture, Water Management, Forestry Federation of Bosnia and Herzegovina (FBiH)

Financing:

1.8 Overall cost (VAT excluded): EUR 6 000 000
(EUR 289 600 000 with previous national IPA and IPA multi-beneficiary contributions and IFI loans considered as co-funding for IPA 2009 and 2010)

1.9 EU contribution: EUR 6 000 000

1.10 Final date for contracting: Two years following the date of the conclusion of the Financing Agreement

1.11 Final date for execution of contracts: Two years following the end date of contracting

1.12 Final date for disbursements: One year following the end date for the execution of contracts

2. Overall Objective and Project Purpose

2.1 Overall Objective

The overall objective is to contribute to environmentally sustainable economic development through infrastructure development in co-operation with International Financial Institutions (IFIs) to achieve EU environmental standards.

2.2 Project purpose

Support to sustainable environmental development and generating local economic growth and creating job opportunities through environmental infrastructure investments in Bosnia and Herzegovina.

2.3 Link with AP/NPAA / EP/ SAA

The key documents on the Enlargement Strategy and the European perspective of Bosnia and Herzegovina underline the importance of infrastructure development and upgrading as a critical factor for country's progress towards the European Perspective. In this respect emphasis is placed to the sound cooperation with the IFIs engaged in promoting infrastructure investments.

European Partnership with Bosnia and Herzegovina 2008

- Continue work on progressive transposition of the *acquis*, with particular emphasis on waste management, water quality, air quality, nature protection and integrated pollution prevention and control.
- Implement strategic plans, including investment strategies, and increase investments in environmental infrastructure, with particular emphasis on waste water collection and treatment, drinking water supply and solid waste management.
- Ensure integration of environmental protection requirements into definition and implementation of other sectoral policies.

Commitments under the Interim Agreement and Stabilisation and Association Agreement

The Parties shall develop and strengthen their cooperation in the environmental field with the vital task of halting further degradation and start improving the environmental situation with the aim of sustainable development.

BiH Progress Report 2009

Limited progress can be reported on water quality. Bosnia and Herzegovina has started to implement the requirements of the Water Framework Directive by means of the Entity Water

Laws. The Water Agencies are operational in the Federation and ensuring coordination with the relevant Ministries. The Agency for the Sava River Basin in Republic of Srpska (RS) is operational. According to the governmental decision from June 2009 the Agency for District River Basin Trebisnjica is going to be operational in January 2010. Further efforts are still required to ensure uniform river basin planning, proper public consultation and monitoring between the Entities. Implementing legislation has been adopted for water laws, water charges, and for harmful and dangerous substances and their maximum levels in surface waters. However, much of the implementing legislation still needs to be put in place in order to ensure further alignment with the *acquis*. Untreated discharges of waste water remain the key environmental challenge and access to drinking water, as well as wastewater treatment infrastructure, requires more investments.

2.4 Link with MIPD

The Multi-annual Indicative Planning Document (MIPD) 2009-2011 for BiH provides:

MIPD Section 2.3.1.2 Economic Criteria:

Expected results and indicators: Softening the impact of the financial and economic crisis: support for the financial sector, investments in infrastructure and strengthening of the roles of economic and financial regulators will maintain economic stability, growth and jobs.

MIPD Section 2.3.1.3 Ability to assume the obligations of membership:

Expected results and indicators: A country-wide Environment Strategy is adopted and implemented. The alignment of the sector to the environmental *acquis* is advanced. Tools for prioritization of environmental infrastructure investments and determination of measures for environmental protection are operational. Generation of co-financing mechanisms for environmental infrastructure are advanced. Investments in environmental infrastructure will be enhanced.

2.5 Link with National Development Plan

Bosnia and Herzegovina has drafted a National Development Strategy 2008 -2013 and a Social Inclusion Strategy that will serve as the basis for the National Development Plan. The project is linked to the strategic goal: Sustainable development – Environment and renewable energy resources. The priorities are as follows:

- Usage of renewable and non-renewable natural resources to ensure sustainable development
- Develop the conception of measuring the sustainable development and the environmental infrastructure development.
- Ensure stronger integration of environmental policies into other sectoral policies.

2.6 Link with national/ sectoral investment plans

The National Environmental Action Plan was the first document specifically oriented to environmental problems and was adopted by the entity governments of Bosnia and Herzegovina in 2003. The planned interventions in the water sector are in line with the National Environmental Action Plan, since the priorities related to the water resource and wastewater management are (by 2020): 1) provision of sufficient quantities of high-quality water for water supply & other needs; 2) protection of water resources; 3) protection from flooding. The water sector interventions are also in line with the BiH Water Protection Plan

which is the strategic document for the implementation of the EU Urban Waste Water Treatment Directive (91/271/EC). It identifies the urban waste water as the main source of pollution of the surface water in Bosnia and Herzegovina.

3. Description of project

3.1 Background and justification

Bosnia and Herzegovina has started comprehensive reconstruction in the environment sector in both entities with the help of the IFIs. For the needs of the environmental infrastructure development in the *water/waste water sector*, the IFIs have allocated significant loan assistance because the needs for investments in the sector are extensive. Current interventions, as part of the anti-crisis package, contribute to the alleviation of the current financial and economic crisis by creating job opportunities improving living conditions for people in Bosnia and Herzegovina and increasing the positive effect on environment in relation to water quality and waste management.

The underdeveloped water services have serious negative impacts on public health and the environment caused by poor infrastructure and strong hydrological interconnection and heavy modification of water bodies, which leaves public water supplies and bathing waters exposed to the effects of industrial pollution and discharge of untreated water. The water sector is heavily fragmented. Inheritance of weak governance has left much infrastructure poorly maintained and highly inefficient.

Investment needs have been identified and they relate to improving water supply systems, expanding sewerage systems and construction and reconstruction of water/ waste water treatment plants. The investments will improve water service and public health, with a particular focus on reducing waterborne pollution through the collection and treatment of wastewaters that are presently discharged to the environment without treatment. The operation will contribute to meeting the needs of Bosnia and Herzegovina in relation to future compliance with the EU Environmental Legislation, in particular the Urban Waste Water Treatment Directive (91/271/EC), Drinking Water Directive (98/83/EC) and Bathing Water Directive 2006/7/EC.

The interventions will financially support infrastructure investments of municipalities. Grant co-financing combined with loans extended by IFIs will increase the affordability of such investments for municipalities. The grant funds relieve BiH's debt burden and also improve the financial rate of return of the projects.

The intervention for IPA 2010 part II focuses on the improvement of water and waste water infrastructure:

- | | |
|--------------|--|
| Component I | Rehabilitation and construction of water and waste water infrastructure in selected municipalities in RS in cooperation with EIB |
| Component II | Extension of the water supply system in the Trebizat, Zvirovici and Prcavci region, FBiH in cooperation with EBRD |

Component III Rehabilitation and construction of waste water treatment plants and sewage systems in Sarajevo in cooperation with WB

Evaluation, technical and financial checks of actions will be ensured through standard provisions of the contribution and administration agreements with the financial institutions.

**Component I Rehabilitation and construction of water and waste water infrastructure in selected municipalities in RS in cooperation with EIB
EU contribution: EUR 2 500 000**

The Component relates to the rehabilitation and construction of water and sanitation infrastructure in selected sites in RS. The proposed operations are part of wider intervention in the water and sanitation sector and will include 24 municipalities in RS.

Four feasibility studies financed by different sources were prepared and a number of detailed designs for rehabilitation activities were mainly financed by local sources. Other additional feasibility studies and detailed designs will be funded by the above mentioned approved IPA 2010 IPF-TA grant in accordance with EIB requirements. Based on the information provided by the municipalities on their preliminary investments needs, the following summary can be made:

- Investments related to sewerage systems: Sokolac, Donji Zabar, Teslic, Vlasenica and Vukosavlje;
- Investments related to water supply systems: Pale, Kotor Varos, Ribnik, Trebinje, Zvornik, Lopare, Kozarska Dubica, Samac and Trnovo;
- Investments related to water supply and sewerage: Prijedor, Brod, Rogatica, Gacko, Gradiska, Han Pijesak, Laktasi, Novi Grad, Sekovici and Sipovo.

Budget: The value of the whole investment is EUR 80 000 000. The European Investment Bank (EIB) contributes to the overall scheme with EUR 40 000 000. The present national IPA 2010 part II contribution is EUR 2 500 000. EUR 10 000 000 were approved under the IPA 2010 national programme part I; EUR 1 250 000 was approved through the Infrastructure Project Facility-Technical Assistance (IPA 2010 IPF-TA) and local municipalities cover the remaining EUR 26 250 000.

**Component II Extension of the water supply system in the Trebizat, Zvirovici and Prcavci region, FBiH in cooperation with EBRD
EU contribution: EUR 1 000 000**

The Trebizat area consists of two settlements: Gornji and Donji Trebizat and includes construction of two new water tanks. In addition, two more villages in Trebizat area, Zvirovici and Prcavci, will be connected to the main water supply system through this project. Currently Zvirovici does not have access to running water and Prcavci is supplied from rather polluted spring Studencica.

Budget: The total value of the investment programme is EUR 24 000 000 for all four phases with phase I completed. It is envisaged to finance phase II through IPA contribution and an EBRD loan. The present IPA 2010 contribution is EUR 1 000 000; EUR 3 500 000 were allocated under the IPA 2010 national programme part I. The EBRD loan amounts to EUR 5 000 000.

Component III Rehabilitation and construction of waste water treatment plants and sewage systems in Sarajevo in cooperation with the WB
EU contribution: EUR 2 500 000

The FBiH suffers from the negative impacts of underdeveloped water services on public health and the environment. Only 2% of collected urban wastewater in FBiH is treated. This leaves public water supplies and bathing waters exposed to the effects of serious pollution and the discharge of untreated water. The Sarajevo Waste Water Treatment Plant (WWTP) consists of 25 facilities that are all built at the location of Butila. The operation of the plant was stopped during April 1992. All facilities suffered major damages due to the war, alienation of large number of technological equipment, devastation of equipment and because the waste water treatment plant was left without maintenance for a long time.

The proposed intervention will finance the first reconstruction phase of the plant and will cope with the rehabilitation of existing and construction of missing facility for primary sedimentation. Revitalization of the facility is divided in two phases. The first phase considers reconstruction of facility for primary treatment of waste water, while the second phase would include revitalization of biological treatment of the waste water.

Budget: The total value of the investment is EUR 38 000 000. The IPA 2010 national programme part II allocates EUR 2 500 000; EUR 8 000 000 were already provided under the IPA 2010 national programme part I. The local contribution will be EUR 1 500 000. The remaining amount of EUR 26 000 000 will be provided through loans from the WB and the EBRD. The signature of the Administration Agreement with the World Bank will depend on the signature of loans for investment in construction of the Sarajevo WWTP with the WB and/or EBRD.

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact

The aforementioned interventions will have a strong positive environmental and public health impact with an overall benefit to quality of life in Bosnia and Herzegovina. Furthermore, the improved collection and treatment of wastewaters will have a very strong positive cross border impact and thus reduce pollution of surface and ground waters in Bosnia and Herzegovina and the region as a whole. In parallel with investment in the collection and treatment of wastewater, investments in efficiency generating measures will be sought with a view to reducing wastage of water and the reduction of power consumption, thus improving overall resource efficiency and reducing atmospheric emissions relating to energy production. Additionally, the projects will result in a significant environmental improvement of water quality which will contribute to public amenity, *incl.* water supply, fishing, swimming and tourism. There is also a potential impact on business in the region by removing one of the key constraints to the future urban development.

At last, but not the least, the project interventions will have a positive impact on the economy of Bosnia and Herzegovina and the region as such. Investments in the infrastructure projects will trigger of and open new opportunities for employment in the country, thus creating new jobs that are to be considered valuable contribution in the alleviation of the current economic and financial crises. The Primary and Secondary Beneficiaries will ensure that a maintenance and sustainability plan is in place for the investments targeted in this fiche.

3.3 Expected results and measurable indicators

Component I Rehabilitation and construction of water and waste water infrastructure in selected municipalities in RS in cooperation with EIB

Expected result: Water supply system, sewage collection system and waste water treatment plant rehabilitated and constructed in selected municipalities in RS

Indicators: Water infrastructure projects implemented in 24 municipalities.

Component II Extension of the water supply system in the Dubrave region, FBiH in cooperation with EBRD

Expected result: Settlements of Trebizat, Zvirovici and Prcavci connected to the urban water supply network.

Indicators: A minimum of 450 household connected to water supply systems. Respective settlements are provided with a sustainable supply of water intended for human consumption in accordance with provisions of the Drinking Water Directive.

Component III Rehabilitation and construction of waste water treatment plants and sewage systems in Sarajevo in cooperation with the WB

Expected result: Pollution and direct discharge of untreated wastewater to surface waters of Miljacka and Bosna Rivers reduced.

Indicators: The capacity of the waste water treatment plant is a minimum of 600 000 equivalent inhabitants. A minimum of 800 new connections to the waste water network for dwellings with multiple households are constructed. Parameters (chemical/physical such as BOD, pH, COD) indicating reduction of the pollution of the recipient, Bosna river, in line with the provisions of the Urban Wastewater Treatment Directive.

3.4 Activities

Component I Rehabilitation and construction of water and waste water infrastructure in selected municipalities in RS in cooperation with EIB

To rehabilitate, upgrade or construct new water resource infrastructure, water supply systems, extension of drinking water treatment facilities, water and energy efficiency measures, and bulk and consumer metering.

Component II Extension of the water supply system in the in Trebizat, Zvirovici and Prcavci region, FBiH in cooperation with EBRD

- Investment into water tanks “Donji” and “Gornji” Trebizat, “Zuzelj”, “Zvirovici” and “Prcavci” and the belonging pressure and gravity pipelines.

- Purchase and installation of mechanical and electrical equipment for pumping station “Zvirovici” and “Trebizat”.

Component III Rehabilitation and construction of waste water treatment plants and sewage systems in Sarajevo in cooperation with the WB

To reconstruct existing waste water treatment plant and to construct a missing pre-treatment facilities of waste water treatment plant.

All activities fully correspond to the above mentioned results for all components. The joint management modality for the cooperation with EIB, EBRD and WB is chosen because the present project describes a joint action to be financed through pooling of EU grants and IFI loans (and in some cases grants).

3.5 Conditionality and sequencing

Cooperation and support from the relevant authorities and beneficiaries is of the utmost importance for the successful implementation of the project. The continuous engagement and full cooperation of IFIs is another critical success factor as well as coordination with all relevant stakeholders.

In relation to the conditionality it is important that relevant Ministries (Primary and Secondary Beneficiaries) dedicate competent staff and other resources required for support of the project(s). IFI requires from the authorities to form Units for managing their projects within the ministries (e.g. PMU for EIB projects, PMT for WB projects, etc). Technical documentation are prepared and revised; Land acquisition is completed; Necessary permits and conformities are obtained; Co-financing mechanism is in place and operational; Good co-operation and co-ordination of activities amongst all projects' stakeholders, including complementarity and coherence with regional IPA programmes (IPF MW); Contracts for execution of the construction works are concluded in accordance with the procurement schedule. Ministry for Environment and Tourism in FBiH has a Project Management Unit for implementation second phase solid waste management project. The Unit is responsible for project implementation including procurement and financial management.

The signature of the Administration Agreement with the World Bank will depend on the signature of loans for investment in the Sarajevo WWTP construction with the WB and/or EBRD.

3.6 Linked activities

Infrastructure Project Facility – Municipal Window (IPF-MW) was launched at the Steering Committee¹ of the IFI Facilities on 5th March 2008 with the purpose to combine grants for capacity building and co-finance the loans to remedy the very low income of the IPA countries which hinder financing of infrastructure projects. The EU has contributed to the IPF-MW 2008 in the Western-Balkan region by EUR 24 000 000. BiH received in total

¹ The Steering Committee of the IFI Facilities is a structure set up to manage the Facility programmes SMEFF, MFF, MIF and EEFF combining EU grants with credit lines from the EIB, the EBRD and CEB in association with KfW. The members of the Steering Committee are the Commission and representatives of the IFIs participating in the Facilities.

EUR 9 000 000. The proposed intervention (components I and III) will be complementary to the IPF-MW and all the recommendations of the IPF secretariat should be followed².

The **CARDS** project Water Quality Management prioritized the agglomerations facing pressing issues of waste water collection and treatment in order to ensure water protection. Zivinice municipality was defined as one of the priorities.

There are also two Global Environment Facility (GEF) projects implemented through **WB**. First is Water Quality Protection, aiming to provide support for investments in wastewater treatment in municipalities Odzak, Trnovo, Mostar and Zivinice and the second project is “Neretva and Trebisnjica Management Project”, implementing together with Croatia providing support for wastewater collection and treatment for municipalities of Konjic, Ljubuski, Bilece, Nevesinje and Trebinje.

EBRD prepares financing of the Plava Voda Regional Water Supply Project. The Project is financed under the Infrastructure Project Facility (IPF-TA) with the aim to construct new regional water pipeline. Commissioned by the EBRD, the “Water and Wastewater Project (Protection of Lake Modrac) 2005” (environmental impact and feasibility study) prepared via the Danube Regional Investment Support Facility (EU funded), identified the level and sources of lake pollution which discharges into the river Spreca and subsequently into the River Bosna, then to the river Sava and ultimately to the river Danube.

On a bilateral basis the Swiss Development Cooperation is supporting 17 municipalities in the Una Sana River Basin with regard to water management and environment issues and is financing the rehabilitation of the water supply in Prijedor. The Norwegian Development Cooperation is financing water supply projects along the Vrbas river. KfW finances municipal infrastructure and providing technical assistance to water utilities also in Kakanj, Kostajnica, and Derventa. Apart from Banja Luka, a further project is under preparation in Bihac (wastewater collection and construction of a wastewater treatment plant).

3.7 Lessons learned

Experience obtained from past and ongoing infrastructure investments projects from the CARDS programme will be applied as much as possible. Experience gained from such programmes has shown that mutual cooperation with beneficiary partners in BiH and their full commitment during all phases of the project implementation is needed.

It is important that all stakeholders' incl. relevant ministries take an active role during the project implementation. Apart from the need to have good coordination with IFIs and other stakeholders in the sector to implement the infrastructure projects, it is crucial that relevant designs, feasibility studies, permits etc. are available a priori in order to avoid delays in the project implementation. Lessons learned from the existing cooperation projects with the IFIs will be taken into account, especially with regards to the revenue collection by the water utilities (sustainability of the water companies).

The key lessons in the environment sector in BiH based on previous interventions can be summarised as follows:

² The IPF-MW is linked to Technical Assistance provided through IPF (IPF-TA) since it is developed under the same umbrella. Infrastructure projects for which preparation and feasibility studies would have been financed from the IPF-TA may benefit from the IPF-MW.

- The institutional set up in the environment sector remains problematic and the needs in the sector are considerable and growing rapidly as the sector seeks to meet the challenges of meeting EU Directives as well as its growth.
- The non-implementation of European Partnership priorities (short-term) has hampered progress in the sector, and the coordination between the State and Entity Governments needs to be improved.

4. Indicative Budget (amounts in EUR)

			SOURCES OF FUNDING									
			TOTAL EXP.RE	IPA EU CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	%(2)	Total EUR (c)=(x)+(y)+(z)	%(2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (d)	%(2)
Activity 1 Component I		X	2 500 000 ³	2 500 000								
Contract 1.1 (EIB)	-	-	2 500 000	2 500 000								
Activity 2 Component II		X	1 000 000 ⁴	1 000 000								
Contract 2.1 (EBRD)	-	-	1 000 000	1 000 000								
Activity 3 Component III		X	2 500 000 ⁵	2 500 000								
Contract 3.1 (WB)	-	-	2 500 000	2 500 000								
Total IB												
TOTAL INV			6 000 000	6 000 000								
TOTAL PROJECT			6 000 000	6 000 000								

Amounts net of VAT

- (1) In the Activity row use "X" to identify whether IB or INV
- (2) Expressed in % of the **Total** Expenditure (column (a))

³ Under previous IPA programmes, a total amount of EUR 11 250 000 was allocated to this component with EIB. EUR 10 000 000 were approved under the IPA 2010 national programme part I and EUR 1 250 000 were allocated under the Infrastructure Project Facility Technical Assistance programme.

⁴ Under the IPA 2010 national programme part I EUR 3 500 000 were allocated to this component with EBRD.

⁵ Under the IPA 2010 national programme part I EUR 8 000 000 were allocated to this component with WB.

5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1.1 (Contribution agreement with EIB)	n/a	Q2 2011	Q1 2015
Contract 2.1 (Contribution agreement with EBRD)	n/a	Q4 2012	Q1 2015
Contract 3.1 (Administration agreement with WB)	n/a	Q2 2011	Q1 2015

6. Cross cutting issues

6.1 Equal Opportunity

Equal opportunity for participation of men and women will be assured in all aspects of project implementation.

6.2 Environment

This works project is specifically targeting the improvement of the environment. These investments will mainly focus on the water and waste management sectors. All investments shall be carried out in compliance with the relevant EU environmental legislation. The procedures for environmental impact assessment as set down in the EIA directive (Council Directive 85/337/EEC of 27 June 1985) fully apply to all investments financed under IPA. If the EIA directive has not yet been fully transposed, the procedures should be similar to the ones established in the above-mentioned directive. If an investment is likely to affect sites of nature conservation importance, an appropriate nature conservation assessment shall be made, equivalent to that provided for in Article 6 of the Habitats directive (Council Directive 92/43/EEC of 21 May 1992).

6.3 Minorities

Participation in the project activities will be guaranteed on the basis of equal access regardless of racial or ethnic origin, religion or belief, disability, sex or sexual orientation.

ANNEXES

- I Log frame in Standard Format
- II Amounts contracted and Disbursed per Quarter over the full duration of Programme
- III Description of Institutional Framework
- IV Reference to laws, regulations and strategic documents
- V Details per EU funded contract

ANNEX I - Logical framework matrix

LOGFRAME PLANNING MATRIX FOR Project Fiche		Programme name: IPA National Programme 2010 Part II – Bosnia and Herzegovina; Fiche 1 -"Environment" "Rehabilitation and construction of water and waste water infrastructure"	
Contracting period expires: Two years following the date of the conclusion of the Financing Agreement		Disbursement period expires: One year following the end date for the execution of contracts	
CRIS Number: 2010/022-674		Total budget: EUR 6 000 000	EU contribution: EUR 6 000 000
Overall objective	Objectively verifiable indicators	Sources of Verification	
To contribute to environmentally sustainable economic development through infrastructure development in co-operation with International Financial Institutions (IFIs), to ensure the implementation of infrastructure measures to achieve EU environmental standards.	Increased number and type of investments for new and/or upgraded infrastructures in water and sanitation (e.g. number of household connection to water supply and sewage network; volume of treated waste water; number of international and domestic investors; reduced pollution impact).	Statistic on utilities management and services provision; levels of public and private sector investments.	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
To provide financial support to the environmental infrastructure investments in Bosnia and Herzegovina by providing grant funds to IFIs loan investments.	Sustainable mechanism for investment projects identification, preparation, implementation and monitoring in place with proactive involvement of all projects' stakeholders.	Number of selected projects implemented.	Continued State supports to environment infrastructure sector to improve attractiveness of the investors in the water and sanitation.
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>Component I: With the financial support of IFIs, water supply system, sewage collection system and waste water treatment plant rehabilitated and constructed in RS.</p> <p>Component II: Settlements of Trebizat, Zvirovici and Prcavci connected to the urban water supply network.</p>	<p>Component I: Water infrastructure projects implemented in 24 municipalities.</p> <p>Component II: A minimum of 450 household connected to water supply systems. Respective settlements are provided with a sustainable supply of water intended for human consumption in accordance with provisions of the Drinking Water Directive.</p>	<p>Component I: Projects reports Final acceptance of the works</p> <p>Component II: Utility records on users connected to system Customer meters; Project reports; Final acceptance of work</p>	<ul style="list-style-type: none"> - Proactive involvement of all stakeholders involved in projects implementation, in particular IFIs, EC Del. and beneficiary staff. - All participating IFIs do commit their funds according to the Financing Plans. - The BiH authorities participate with their co-financing - Funds for effective mobilisation are available and operational. - Preconditions for works execution are in place (e.g. land acquisition

<p>Component III Pollution and direct discharge of untreated wastewater to surface waters of Miljacka and Bosnia Rivers reduced.</p>	<p>Component III The capacity of the waste water treatment plant is a minimum of 600 000 equivalent inhabitants. A minimum of 800 new connections to the waste water network for dwellings with multiple households are constructed. Parameters (chemical/physical such as BOD, pH, COD) indicating reduction of the pollution of the recipient, Bosna river, in line with the provisions of the Urban Wastewater Treatment Directive.</p>	<p>Component III Utility records on users connected to system; Project reports; Final acceptance of the work</p>	<p>completed; Construction and related permits are in place; technical documentation prepared; Revised and of good quality).</p>
<p>Activities</p>	<p>Means</p>	<p>Costs</p>	<p>Assumptions</p>
<p>Component I To rehabilitate, upgrade or construct new water resource infrastructure; water supply systems; extension of drinking water treatment facilities; water and energy efficiency measures. -bulk and consumer metering;</p> <p>Component II - Investment into water tanks “Donji” and “Gornji” Trebizat, “Zuzelj”, “Zvirovici” and “Prcavci” and the belonging pressure and gravity pipelines. - Purchase and installation of mechanical and electrical equipment for pumping station “Zvirovici” and “Trebizat”.</p> <p>Component III Reconstruction of existing waste water treatment plant; Construction of missing pre-treatment facilities of waste water treatment plant</p>	<p>Component I Contract 1.1: Contribution Agreement with EIB</p> <p>Component II Contract 2.1 Contribution Agreement with EBRD</p> <p>Component III Contract 3.1 Administration Agreement with the WB</p>	<p>Component I IPA budget: EUR 2 500 000</p> <p>Component II IPA budget: EUR 1 000 000</p> <p>Component III IPA budget: EUR 2 500 000</p>	<p>Proactive involvement of all stakeholders involved in projects implementation, in particular IFIs, EU Delegation and beneficiary staff.</p>

ANNEX II - Amounts (in EUR) Contracted and disbursed by quarter for the project

Contracted	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q4 2013	Q4 2014
Contract 1.1 - Contribution Agreement with EIB	2 500 000									
Contract 2.1 - Contribution Agreement with EBRD							1 000 000			
Contract 3.1 - Administration Agreement with WB	2 500 000									
Cumulated	6 000 000									
Disbursed										
Contract 1.1 - Contribution Agreement with EIB	1 000 000				1 000 000				500 000	
Contract 2.1 - Contribution Agreement with EBRD							750 000			250 000
Contract 3.1 - Administration Agreement with WB	1 000 000				1 000 000				500 000	
Cumulated	2 000 000				4 000 000		4 750 000		5 750 000	6 000 000

Annex III - Description of Institutional Framework

The country of Bosnia and Herzegovina has two, highly autonomous “Entities”: the FBiH, and RS. Each has its own laws that impact the delivery of water and wastewater services, addressing most aspects of technical, administrative and financial matters.

The role of Ministry of Foreign Trade and Economic Relations BiH

The role of the State in the sector has been increasing in Bosnia and Herzegovina over the past years, in view of increasing international obligations of the country and a need for an improved coordination at state level and ensuring more efficient use of scarce resources available to the Sector. The State level coordination role is assigned to the Ministry of Foreign Trade and Economic Relations and its Sector for Environment, Energy and Natural Resources. Consensus has been reached on creation of temporary Water Framework Directive Unit attached to Ministry of Foreign Trade and Economic Relations, which in return must receive more significant assistance to increase human and technical capacities. The Water Framework Directive Unit will facilitate and coordinate in meeting the international obligations in water sector (e.g. ICPDR and Sava Commission, Barcelona Convention etc.). Currently, the "embryo" of the Unit has been formed, with the engagement of a water expert who is engaged (with the support of ICPDR) on the implementation of the Water Framework Directive in Bosnia and Herzegovina, and obligations towards the ICPDR and Sava Commission.

Water and Environment Ministries in the Entities

In the Federation the main authorities responsible for environment and water issues are the Federal Ministry of Agriculture, Water Management and Forestry and the Federal Ministry of Environment and Tourism (following a recent restructuring). The Federal Ministry of Agriculture, Water Management and Forestry is responsible for the water policy and strategy development, the issue of approvals and permits, setting of standards and regulations. The Federal Ministry of Environment and Tourism is responsible for the preparation of the environmental policy and strategy-related documents, quality standards for air, water, and soil, environmental monitoring as well as supervision of relevant institutions from the environment sector.

Similar to FBiH, there are two Ministries in RS, responsible for environment and water issues, namely: the Ministry of Agriculture, Forestry and Water Management in RS and the Ministry of Spatial Planning and Ecology of RS. Their competencies are similar to the competences of the ministries in FBiH.

In addition to the above-mentioned ministries, several other institutions in Bosnia and Herzegovina deal with water issues indirectly. These include other ministries, independent administrative offices and institutions, and institutions related to the ministries. Other ministries with secondary responsibilities for water are usually the ones dealing with health, industry, energy and mining (or the economy in general), labour and public welfare.

The main authorities on entity level for waste management are the Ministry for Environment and Tourism in FBiH, and the Ministry of Physical Planning, Construction, and Ecology in RS. Those Ministries are also responsible for the preparation of the environmental policy and strategy-related documents, quality standards for air, water, and soil, environmental monitoring as well as supervision of relevant institutions from the environment sector.

Water Agencies in Bosnia and Herzegovina

There are two watersheds in BiH. Four (two in each Entity) Water Agencies have been set up for the two watersheds. In FBiH, the water agencies are located in Sarajevo (for watershed

area of Sava river basin) and Mostar (for watershed area of Adriatic sea basin). In RS, Water Agencies are located in Bijeljina (for watershed area of Sava river basin) and Trebinje (for watershed area of Adriatic sea basin).

Responsibilities of the Water Agencies comprise, *inter alia*, data collection and monitoring, preparation of plans, reporting and projects, disaster management and prevention, issuance of licences and permits, reporting, research and development and awareness raising.

Cantons (applicable for FBiH) and Municipalities

The cantons' environmental authorities are the respective ministries of civil engineering, physical planning and environmental protection and the ministries of agriculture, water management and forestry. Cantons and municipalities have also related inspection services. Municipalities, in accordance with the law, are responsible for communal activities.

Municipalities are governed by a "Municipal Council". Municipal Councils are elected by the voters of the municipality. They also have an executive body headed by a mayor. Municipalities are very important to the water and wastewater sector because they essentially control the water utility companies and have the responsibility for the provision of public services to all the people within its borders.

Water Utility Company (Vodovod)

Water and wastewater services are now generally provided either by "Vodovod", a company that usually provides only water and wastewater services, or as part of a compound public utilities company in the municipality. In smaller municipalities, water and wastewater are included along with many other municipal services, such as street maintenance, central heating, management of parks and cemeteries, solid waste collection and other services.

Annex IV - Reference to laws, regulations and strategic documents

Reference list of relevant laws and regulations:

Water Law of Republic of Srpska, (Ref. Official Gazette of RS 50/2006)

Water Law of Federation of Bosnia and Herzegovina, (Ref. Official Gazette of FBiH 70/2006)

Water-related Implementing Legislation in FBiH

Based on the Water Law of FBiH it was envisaged to promulgate 48 by-law documents by 1st January 2008. Some of the by-laws have already been adopted, some of them are currently under preparation and there are still many remaining to be drafted.

Currently, there are eight by-law documents which are already adopted and published in Official Gazettes. The list of by-law documents together with the number of by-laws publication is as follows:

1. Decree about river basin boundaries in Federation of Bosnia and Herzegovina (Ref. Official Gazette FBiH 41/2007)
2. Decree about specific water fees (Ref. Official Gazette FBiH 46/2007)
3. Regulation about estimation, procedure and deadlines for estimating, paying and control about acquitting general water fee and specific water fee (Ref. Official Gazette FBiH 92/2007)
4. Regulation about changes and updates of regulation regarding the allocation of public revenues to budget and out-budget funds in federation of BiH (Ref. Official Gazette FBiH 97/2007)
5. Regulation about content, shape, conditions and way of issuing and keeping water acts (Ref. Official Gazette FBiH 06/2008).
6. Regulation about conditions and criteria to be fulfilled by legal entities for preparing a documentation needed for issuing water acts (Ref. Official Gazette FBiH 17/2008)
7. Master Plan of operational measures for flood protection for 2008 (Ref. Official Gazette FBiH 23/2008)
8. Regulation about the content and rules for keeping the evidence and data submission regarding the amount of abstracted water (Ref. Official Gazette FBiH 83/2008).

Water-related Implementing Legislation in RS

The list of the by-law documents which are currently valid in RS is as follows:

1. Decree about classification and categorisation of surface waters (Ref. Official Gazette RS 42/2001).
2. The order about main operational plan for flood protection for 2007 (Ref. Official Gazette RS 50/2006).
3. Instruction about activities and deadlines for estimation and payment of specific water fees (Ref. Official Gazette RS 42/2001)
4. Instruction about changes and updates of instruction regarding activity and deadlines for estimation and payment of specific water fees (Ref. Official Gazette RS 50/2006)
5. Regulation about the conditions for discharging wastewater into sewer system (Ref. Official Gazette RS 44/01)
6. Regulation about the conditions for discharging wastewater into surface waters (Ref. Official Gazette RS 44/2001)

Annex V - Details per EU funded contract:

The actions will be implemented by joint management in accordance with Article 53 (d) of the Financial Regulation through the following:

Component I	Contract 1.1 - Contribution agreement with EIB
Component II	Contract 2.1 - Contribution agreement with EBRD
Component III	Contract 3.1 - Administration agreement with WB